4.1 Introduction to marketing

- Needs and wants
  - Introduction
    - People have different needs and wants
    - Marketing exists to address people's needs and wants
    - Ultimately, the goal is to make customers want to buy a firm's products
  - Needs
    - These are essentials that all humans must have to survive
    - e.g. food, shelter, water and warmth
  - Wants
    - These are human desires (i.e. things that people would like to have)
    - Humans have infinite wants
- Marketing
  - Marketing is the management process involved in identifying, anticipating and satisfying consumer requirements profitably
  - Involvement
    - Identifying the needs and wants of customers
    - Anticipating and predicting what customers want in the future
    - Considering the price, product, place and promotion
    - Earning a profit
- Market orientation vs product orientation
  - Market orientation
    - Definition
      - A firm that is market oriented will look to the market to see what consumers need and want

        i.e.they are outward looking
      - A firm will produce products to fulfill those needs and wants
    - Advantages and disadvantages of market oriented firms
      - Advantages
        - Greater flexibility

          Businesses can respond quickly to changes in the market as they have access to relevant data and information about customers. Market orientated businesses are also more able to anticipate changing market trends and hence prepare for such changes
        - Lower risk

          Firms can be confident their products will sell as they are tailored to meet the needs and wants of consumers

- Disadvantages
  - Market research is needed

    This is to find out what consumers want. This can be very expensive
  - No guarantee this approach will work

    This is due to the dynamic nature of the external environment and the uncertainty of the future

- Product orientation
  - Definition
    - A firm that is product oriented will look at what they can make instead of making products that they can sell

      i.e. they are inward looking
    - These firms focus on making a product that they hope will be demanded by the market
  - Advantages and disadvantages of product oriented firm
    - Advantages
      - Assured quality

        Business has more control over its operations
      - Competitive advantage or a unique selling point

        By being innovative, product orientation can give organizations a competitive advantage or a unique selling point
        For example, Apple gained a USP for its iconic iPhone's 'slide to unlock' technology when the device was launched and revolutionized the way people communicate worldwide
    - Disadvantages
      - Ignore needs of the market

        As the needs of the market are ignored (because product orientated organizations assume they know what the market wants), there is a high failure rate of businesses that use this marketing approach
        Hence, this strategy tends to be of high risk, especially due to frequent and continual changes in fashion and tastes
      - High cost

        The money spent on research and development of products without taking the customer into consideration often proves costly
- Factors influencing the decision of product/market oriented approach
  - The market

    Producers of hi-tech products, such as smartphones and electric vehicles, tend to start off as product orientated businesses
    In mass consumer markets, a more market orientated approach tends to be adopted
  - Organizational culture

    Businesses that believe customers are the key stakeholder group (i.e., that customers are always right) are more likely to be market orientated

    By contrast organizations that rely on the creative and innovative ideas and designs of their skilled employees may take a more product orientated marketing approach

    - Barriers to entry

      Businesses without much competition tend to be less customer-focused
      Such organizations have market power in pricing and distribution decisions so can choose to be more product-orientated

- Market
  - Definition
    - A market is a place or process whereby customers and suppliers trade
    - Two types of markets
      - Consumer markets

        Consumer markets cater for private individuals and the general public

      - Producer markets

        Producer markets cater for businesses and governments

  - Market share
    - Calculation
      - Market share refers to an organization's share of the total value of sales within a specific industry
      - Market share is calculated as follows

        $$\text{Market share} = \frac{\text{Firm's sales revenue}}{\text{Industry sales revenue}} \times 100$$

    - The importance of market share
      - Firms with high market share benefit from their status, price setting abilities and are less threatened by competition
    - Ways to increase market share
      - Brand promotion
      - Product development
      - Motivating and training the workforce
      - Establishing intellectual property rights
      - Using more efficient channels of distribution
  - Market growth
    - Calculation
      - Market growth refers to the rate at which the size of a market is increasing
      - Market growth is calculated as follows

        $$\text{Market growth rate} = \frac{\text{Current market size} - \text{Original market size}}{\text{Original market size}} \times 100$$